

Department of Legislative Services  
Maryland General Assembly  
2010 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 392

(Delegate Vaughn, *et al.*)

Economic Matters

Finance

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Commercial Law - Debt Settlement Services - Study

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This bill requires the Office of the Commissioner of Financial Regulation, in consultation with the Consumer Protection Division of the Office of the Attorney General, to study the debt settlement services industry and report its findings to the Senate Finance and House Economic Matters committees of the General Assembly by December 1, 2010. The study must determine how the debt settlement services industry would best be regulated in the State, including the option of establishing a licensure requirement, and the fiscal impact of regulating the industry if licensure were required.

The bill takes effect July 1, 2010.

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Fiscal Summary

**State Effect:** The required study can be performed with the existing budgeted resources of the Office of the Commissioner of Financial Regulation and the Consumer Protection Division of the Office of the Attorney General.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Current Law/Background:** Regulation of debt settlement companies is not required by State law. Debt management companies, however, are subject to the licensing and regulatory provisions of the Maryland Debt Management Services Act. The Commissioner of Financial Regulation is responsible for enforcing that Act.

More than 30 states regulate debt settlement companies. Since Maryland does not regulate these entities, debt settlement companies generally are not subject to the licensing and regulatory provisions of Maryland's Debt Management Services Act. Consumer complaints concerning debt settlement companies and reports of some companies' unscrupulous business practices, however, have led to a debate among policymakers and various interest groups regarding the need to regulate, as well as the method of regulating, debt settlement companies in the State.

The General Assembly considered legislation to regulate debt settlement companies during the 2008 session. House Bill 1223 of 2008, which was referred to an interim study by the House Economic Matters Committee, would have amended Maryland's Debt Management Services Act to include debt settlement companies in the Act's licensing and regulatory scheme.

As introduced, the bill would have required that debt settlement companies obtain a license to operate in the State, meet bonding requirements, and submit annual reports to the Commissioner of Financial Regulation. The bill also would have required that debt settlement companies enter into a debt settlement agreement with a consumer and disclose certain information before providing debt settlement services. Another provision in the bill would have imposed limits on the fees charged by debt settlement companies.

The majority of those states that regulate debt settlement companies require these companies to be licensed or registered before they can provide debt settlement services. Of the states that have a licensing or registration requirement, many limit the fees debt settlement companies can charge and require debt settlement companies to post performance bonds. Some states require that providers of debt settlement services be nonprofit entities, while a few states prohibit the practice of providing debt settlement services.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 701 (Senator Pugh, *et al.*) - Finance.

**Information Source(s):** Office of the Attorney General (Consumer Protection Division); Judiciary (Administrative Office of the Courts); Department of Labor, Licensing, and Regulation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 24, 2010  
mam/kdm Revised - House Third Reader - April 12, 2010

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Analysis by: Jason F. Weintraub

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510